1:Stanford U. S-4, 5 1956 AF12 North China AF12

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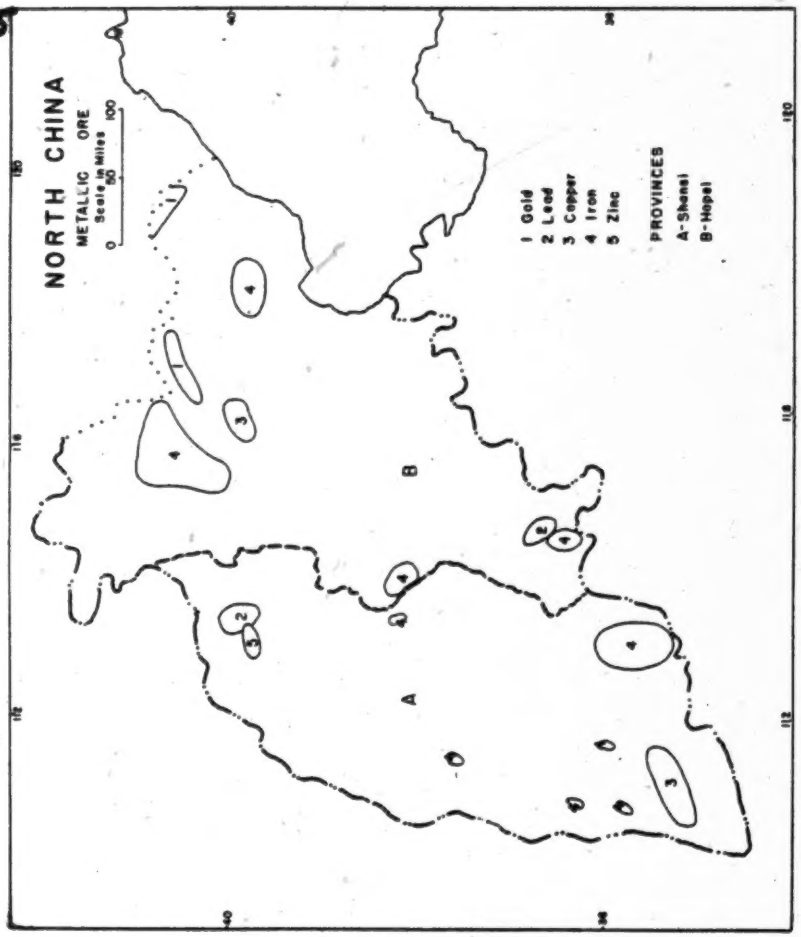

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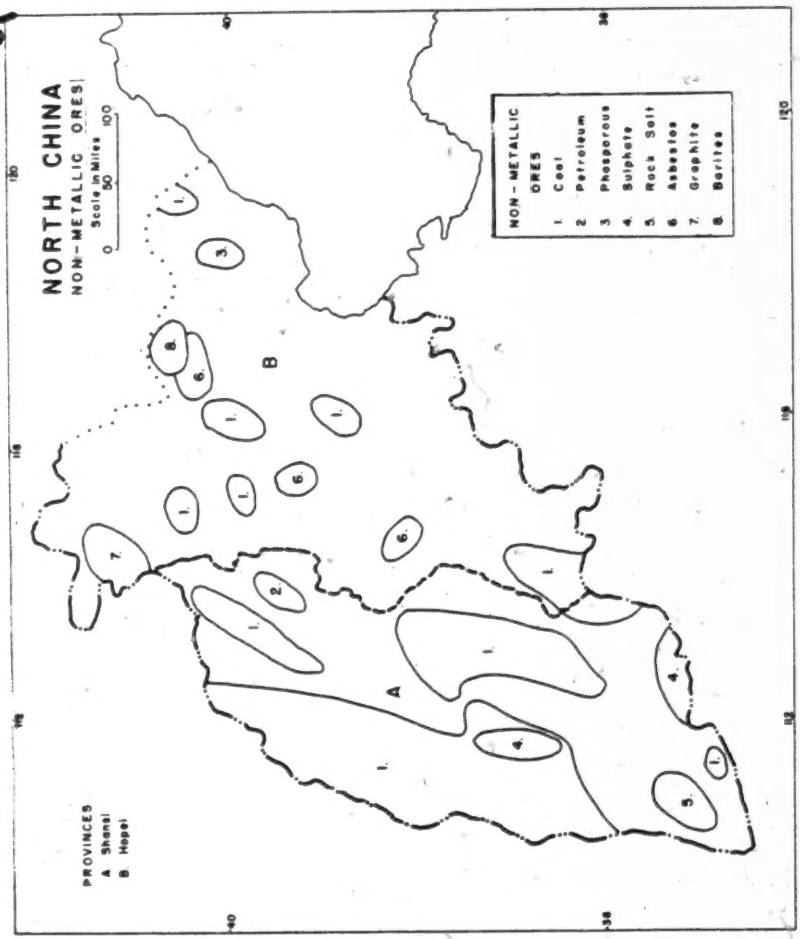

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Annex "A," Subparagraph 3b,
Economic Background

INDUSTRIAL DEVELOPMENT

I. MINERAL RESERVES

135 As geological survey and mineral prospecting continue, knowledge about the volume and nature of China's underground resources undergoes a continual change. The following account of North China's mineral reserves is an apt illustration of this situation.

Generally speaking, Hopei and Shansi are not particularly well endowed in terms of most mineral resources. On the basis of 1947 data,[1] iron ore reserves in Hopei, Shansi, and the former province of Chahar, the iron producing area of which has now been incorporated into Hopei, totaled only 767 million short tons, which may be compared with an estimated minimum national reserve of 5,976 million tons, or under 13 per cent. Hopei has some bauxite; aluminum is reported to be produced both in Shansi and Hopei; and the Hopei salt fields rank first in the country's salt production. But there is relatively little copper except some small deposits in Shansi,[2] practically none of the ferro-alloy metals such as manganese, chrome,

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1. Bureau of Information, K'ang-t'ieh [Iron and Steel], Nanking, 1947, pp. 6-15; and Geological Survey of China, General Statement on the Mining Industry, 7th issue, Chungking, 1945, pp. 88-9; and Chung-hua Nien-chien [Chinese Yearbook], Vol. II, Nanking, 1948, p. 1,568.

2. Geological Survey of China, General Statement on the Mining Industry, 7th issue, passi Chungking, 1945.

135 and nickel, and few known deposits of lead and zinc. Moreover, there is no known petroleum deposit in this area.

This relative paucity in many mineral resources would have made Hopei and Shansi industrially unimportant for Communist China but for some other considerations.

First of all, Hopei and Shansi are by no means required to develop as a separate entity independently of the rest of the Chinese economy. For instance, the newly discovered iron ore reserves at Pao-t'ou, present terminus of the Peking-Suiyuan Railway, are close at hand. The discovery of mineral reserves in Northwest China as a result of stepped-up geological explorations would open up new vistas for industry in Hopei and Shansi.

In the second place, Hopei and Shansi contain a large part of China's known coal reserves. According to the 1948 Statistical Yearbook, [3] about 50 per cent of the country's total coal reserve is found in present Hopei and Shansi. However, this ratio was based on a total reserve of 282.4 billion tons only. Another Nationalist report, which took into account certain later discoveries, gave a total reserve figure of 330.6 billion tons for present Hopei and Shansi alone. [4]

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[3] Bureau of Statistics, Chung-hua Min-kuo T'ung-chi Nien-chien [Statistical Yearbook of the Republic of China] , Nanking, 1948, pp. 106-107.

[4] Yuan-li Wu, An Economic Survey of Communist China, New York, Bookman Associates, 1956, p. 26.

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135 According to Sun Chin-chih, a noted geographer in Communist China, as a result of revised estimates and new discoveries under the Communist regime China's known coal reserves have been boosted to not less than 1,100 billion tons. 5/ Even if the figure for Hopei and Shansi had not been revised upward at the same time, which is unlikely, it would still amount to 30 per cent of the country's coal reserve

Finally, it should be noted that, although according to earlier statistics the North China Region did not appear to be rich in iron ore from the point of view of the country as a whole, nevertheless on the basis of Nationalist data it accounted for 767 million tons out of a total of 2,044 million tons attributed to China proper (i.e., excluding Manchuria). 6/ A Communist report in 1953, however, stated that China's total iron ore reserve had been revised upward to 7,456 million tons (later revised to 11 billion tons). The same report also claimed that new discoveries at the Lung-yen mine in former Chahar (present Hopei) had placed its reserve second only to the Anshan

5/ Sun Chin-chih, Chung-Kuo Kung-yeh-hua Ti Ti-li T'iao-chien [The Geographical Conditions of China's Industrialization], Peking, All-China Association for the Popularization of Science and Technology, 1955, p. 15.

6/ Iron and Steel, pp. 6-15; General Statement on the Mining Industry, pp. 88-9; and Chinese Yearbook, Vol. II, Nanking, 1948, p. 1, 568.

/35 deposit, and that Hopei's iron ore reserve was now second only to that of Manchuria.[7]

II. BASIS FOR INDUSTRIAL DEVELOPMENT

In spite of certain deficiencies, the two North China provinces possess the basic natural resources for industrial development, viz., coal and iron, in relative abundance. In addition, Hopei's salt fields and large cotton production are especially favorable to the development of the chemical and textile industries.

471 Nor should one overlook the historical background which has contributed to industrial development in this area. The role of Tientsin as a major treaty port, followed by its intensive development under the Japanese, led to the establishment of certain industrial enterprises in the Tientsin-Peking-Tangshan triangle prior to the ascendancy of the Communists. In the province of Shansi, on the other hand, a nucleus of heavy industries was formed under the former warlord and provincial governor, Yen Hsi-shan, who was intent on building up the economy of Shansi in the period before the war with Japan.

Given such a historical setting and physical background, it is only natural for the Communist regime to regard North China as a major area for industrial development. By developing North

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[7] Ching-chi Chou-pao [Economic Weekly], Shanghai, No. 15, April 1953, p. 3.